

Message Text

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PAGE 01 BRUSSE 05714 061728Z

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SUBJECT: DAVIGNON VIEWS ON EC POLICY TOWARDS
MULTINATIONAL CORPORATIONS

REF: EC BRUSSELS 2401

1. IN A RECENT INTERVIEW WITH MULTINATIONAL SERVICE,
A BRUSSELS-BASED NEWSLETTER, EC COMMISSIONER DAVIGNON
SKETCHED HIS VIEWS ON MNC POLICY IN THE EC. FOR
DAVIGNON THERE WILL BE THREE MAJOR COMPONENTS TO THIS
POLICY: INVESTMENT COOPERATION, ANTI-TRUST, AND RULES
FOR SOCIAL POLICY.

2. INVESTMENT COOPERATION MEANS THAT THERE SHOULD
BE SOME HARMONIZATION OF INVESTMENTS, A LA JAPANESE,
TO ENABLE INDUSTRY TO ORGANIZE TO COUNTER EXPECTED
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PAGE 02 BRUSSE 05714 061728Z

AREAS OF INCREASED COMPETITION. THE SECOND ELEMENT,
DAVIGNON SAYS, INVOLVES ENSURING FAIR COMPETITION BY
GUARDING AGAINST FIRMS IN DOMINANT POSITIONS WHICH
COULD THREATEN SUCH COMPETITION. AS FOR THE SOCIAL
PART OF INDUSTRIAL POLICY, DAVIGNON SAYS FIRMS SHOULD
BE SUBJECT TO COMMUNITY AND NATIONAL RULES AND NOT
BE ABLE TO SLIP THROUGH LEGAL LOOPHOLES.

3. DAVIGNON CHARACTERIZES THESE POLICIES AS BEING SIMPLY FAIR PLAY AND NOT INTERVENTIONISM. THE EC IS HELPING MNCS BY CREATING A LARGE INTERNAL MARKET AND IN RETURN THE EC EXPECTS SOME CONSISTENCY IN THE WAY IN WHICH MULTINATIONALS REACT TO THE NEEDS OF THE MARKET. THIS, HE SAID, WILL REQUIRE DIALOGUE BETWEEN THE COMMISSION AND MNCS ON GENERAL INVESTMENT AND TRADE POLICY AND SOME RULES--NOT MORE NOR LESS THAN IN THE US AND JAPAN--TO ENSURE A MINIMUM OF TRANSPARENCY IN BUSINESS OPERATIONS.

4. RESPONDING TO A QUESTION ON THE NEED FOR BENEVOLENT DISCRIMINATION IN FAVOR OF EUROPEAN COMPANIES AGAINST THEIR STRONGER US COUNTERPARTS, DAVIGNON SAID EUROPE SHOULD PURSUE A POLICY OF PUBLIC PURCHASING JUST LIKE THE US DOES. THIS DOES NOT MEAN, HE SAID, A GENERAL POLICY OF GRANTING PREFERENCE TO WHAT IS EUROPEAN JUST BECAUSE IT IS EUROPEAN NOR DOES IT MEAN, ON THE OTHER HAND, DAVIGNON SAID, THAT EUROPE SHOULD IGNORE CONSIDERATIONS OF DEPENDENCY, EMPLOYMENT, AND THE BALANCE OF TRADE. EUROPE SHOULD GIVE THE SAME TYPE OF GUARANTEES TO EUROPEAN COMPANIES AS US MNCS HAVE--EMANATING FROM, FOR EXAMPLE, DEFENSE AND SPACE CONTRACTS WHERE THE MARKETS ARE AT LEAST DE FACTO, IF NOT LEGALLY, RESERVED FOR US INDUSTRY.

5. CONCERNING THE OECD VOLUNTARY GUIDELINES AND EUROPEAN PARLIAMENT PROPOSALS FOR BINDING GUIDELINES (REF. B), DAVIGNON SAID THERE IS A VALUE IN HAVING BINDING INTERNATIONAL ARRANGEMENTS PROVIDING LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 05714 061728Z

THAT THESE ARE BALANCED IN THEIR REQUIREMENTS. RULES SHOULD BE COMPULSORY FOR EVERYBODY INVOLVED, NOT JUST THE MULTINATIONALS AND IT IS IMPORTANT, HE SAID, FOR BUSINESS CONFIDENCE THAT THE RULES OF THE GAME BE CLEARLY UNDERSTOOD.

6. COMMENT: DAVIGNON'S CALL FOR AN INVESTMENT DIALOGUE BETWEEN MNCS AND THE EUROPEAN COMMISSION SEEMS OPTIMISTIC FOR NON-STEEL INDUSTRIES. IN THE STEEL CASE THE COMMISSION HAS CONSIDERABLE POWER (DERIVING FROM THE EUROPEAN COAL AND STEEL COMMUNITY TREATY) TO AFFECT INVESTMENT DECISIONS. THE TREATY OF ROME FOR THE EEC PROVIDES ONLY MINOR LEVERAGE IN INVESTMENT DECISIONS, CHIEFLY THROUGH THE EUROPEAN INVESTMENT BANK. MEMBERS OF COMMISSION STAFF TOLD MISSION OFFICER THEY WERE COMPLETELY SURPRISED BY THIS EMPHASIS AND CLAIMED IT WOULD BE HIGHLY PRESUMPTUOUS ON THE COMMISSION'S PART SINCE THEY ARE NEITHER CAPABLE OF GIVING EXPERT INVESTMENT ADVICE NOR RISKING THEIR OWN CAPITAL ON THE OUTCOME.

7. IN ADDITION TO THE RECESSION-BORN PROBLEMS OF
OVERCAPACITY IN SEVERAL SENSITIVE SECTORS, ANOTHER
ELEMENT WHICH HAS PROBABLY CONTRIBUTED TO
DAVIGNON'S CONCERN REGARDING INVESTMENT AND BUSINESS
CONFIDENCE IS A REPORT CIRCULATING IN THE OECD AND EC
COMMISSION THAT INVESTMENT LEVELS (AS A PERCENTAGE OF
GDP) IN ALL MAJOR EC ECONOMIES HAVE BEEN DROPPING
STEADILY SINCE THE LATE 1960'S. HINTON

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